

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U-902-E) for Adoption of an Advanced Metering Infrastructure Deployment Scenario and Associated Cost Recovery and Rate Design.

Application 05-03-015
(Filed March 15, 2005)

**ASSIGNED COMMISSIONER'S RULING
LAYING OUT APPROACH TO THE CASE, SCHEDULING A
PREHEARING CONFERENCE AND OTHER PROCEDURAL MATTERS**

On March 15, 2005, San Diego Gas & Electric Company (SDG&E) filed an application seeking authorization of its advanced metering infrastructure (AMI) deployment proposal and associated cost recovery mechanisms.¹ SDG&E recommends full-scale implementation of AMI and requests expedited approval to commence start-up and design efforts associated with the full-scale implementation in third quarter 2005. Specifically, SDG&E seeks approval of (1) the expected costs of its planned "pre-deployment" activities during 2005 and 2006, (2) its pre-deployment plan, (3) its proposed cost recovery mechanism for costs in 2005-2007, and (4) its deployment strategy and estimated costs of deployment. SDG&E amended its application on March 30, 2005 to incorporate the forecasted revenue requirements to accomplish each of its objectives. SDG&E expects that the design/start-up expenses (pre-deployment costs) to be in excess

¹ AMI consists of both metering and communications infrastructure.

of \$40 million. SDG&E requests a decision on items 1-3 above by July 21, 2005. SDG&E requests a decision on item 4 by January 26, 2006. Under this schedule, SDG&E would commence meter installation in 2007.

After reviewing the issues raised by the application and discussing procedural options with the assigned Administrative Law Judge (ALJ) and Commissioner Peevey, who is the Assigned Commissioner to A.05-03-016 (the Pacific Gas and Electric Company (PG&E) AMI application) and A.05-03-026 (the Southern California Edison Company (SCE) AMI application), I have decided to take the unusual step of providing upfront guidance, in advance of the pre-hearing conference, about how the case will be handled.

SDG&E has suggested that we separate our processing of the decision on its AMI investment into two phases. The first would address the proposed pre-deployment plans and costs and the second would address the cost-effectiveness and merits of deploying AMI as proposed. In addition, all three utilities have proposed adopting different types of technologies, raising the question of whether the proposed systems are sufficiently compatible to form the open network architecture that we desire.

Under this two-phase approach, upon authorization of pre-deployment costs, SDG&E would move forward with its start-up and design work, in anticipation of a positive outcome on the cost-effectiveness part of the proceeding. The trouble with this approach is that if the Commission were to ultimately decide that the cost-effectiveness of the proposed investment is insufficient to warrant the investment, significant ratepayer funds could already have been invested. We are not fully comfortable separating the decision on pre-deployment costs from the decision on the merits of the full investment, but on the other hand, we want to continue to encourage the utilities to consider

investing in AMI as an important tool to achieve improved operational efficiencies and cost savings and to enable demand response opportunities. SDG&E could of course make the determination that the benefits of their proposed deployment so outweigh the costs that it should proceed with the investment at shareholder risk, as it does for many capital investments, but it has not done so here.

We have reached the conclusion that there are three primary issues that we must decide before pre-approving any utility's proposed deployment of AMI. First, we must be able to make an affirmative finding that the proposed systems meet the functionality criteria set forth in the Joint Assigned Commissioner and Administrative Law Judge's Ruling Providing Guidance for the Advanced Metering Infrastructure Business Case Analysis issued February 19, 2004 in Rulemaking (R.) 02-06-001. Second, we must be able to make an affirmative finding that the proposed investment provides sufficient operational benefits to ratepayers to move forward with implementation. This finding may not require that 100% of the costs of AMI deployment be covered by operational savings, but that some sufficient threshold is met for us to be confident that future demand response benefits would result in a cost effective investment. Third, we must make an affirmative finding that SDG&E has a serious plan for accomplishing the task of integrating the AMI investment into its operating systems to ensure that the expected benefits in the areas of customer service, billing, outage management, and operations and maintenance accrue. All three of the above findings must be made for us to pre-approve the investment of ratepayer funds for SDG&E's proposed full AMI deployment.

In order to approve the expenditure of ratepayer funds in advance of findings on the second and third points above, i.e., for pre-deployment, we must

at a minimum be confident that the proposed investment meets the minimum functionality criteria specified in the February 19, 2004 Ruling in R.02-06-001.² Therefore, I am directing SDG&E to serve supplemental testimony on May 25, 2005 that specifically addresses how its proposed technology/deployment plan meet the functionality criteria set forth in the February 19, 2004 Ruling. SDG&E's testimony should address whether its proposed AMI system can accommodate Broadband over Power Line (BPL) deployment or whether SDG&E's communications technology choices set forth in the application would result in stranded investment if BPL were deployed in the future. The supplemental testimony should also address how SDG&E's technology choice will accommodate the need for additional net metering capability over time. Finally, SDG&E's supplemental testimony should provide a month by month list of the tasks and costs that make up its pre-deployment plan. It is my intent to minimize, to the extent possible, the amount of pre-approved ratepayer funds that is spent in advance of a decision on the merits of deploying AMI as proposed by SDG&E, so the proposed pre-deployment cost and task schedule put forward should take this objective into consideration.

Rather than spend a significant amount of time addressing pre-deployment matters, I prefer to focus on the merits of the case in chief; whether we should approve SDG&E's proposed deployment plan and costs. Therefore, the approach that the ALJ and I have developed would allow us to make an initial finding on whether the application meets the minimal functionality criteria and authorize a small amount of ratepayer pre-deployment funds to allow for

² Appendix A lists the functionality criteria for reference.

continued forward momentum while we consider the merits of the full application. The schedule below covers both phases with the items in italics representing the tasks related to the case in chief. The dates associated with the italicized tasks should be considered proposed dates, pending confirmation at the June 15, 2005 prehearing conference.

May 25, 2005	Supplemental Utility Testimony on Functionality, Pre-deployment Task and Cost Schedule
June 6, 2005	Intervenor Testimony on Functionality, Pre-Deployment Task and Cost Schedule
June 10, 2005	Rebuttal Testimony
June 15, 2005	Pre-Hearing Conference for Functionality Phase/ <i>Confirm Dates for Case in Chief</i>
June 16, 2005	Evidentiary Hearing on Functionality and Pre-Deployment Task and Cost Schedule (1-2 days)
July 11, 2005	Opening Brief
July 18, 2005	Reply Brief
August 8, 2005	Proposed Decision Issued/ <i>Intervenor Testimony on Case in Chief Served</i>
August 29, 2005	<i>Rebuttal Testimony</i>
September 6, 2005	<i>Evidentiary Hearings on Case in Chief (one week)</i>
September 8, 2005	Commission Decision on Functionality Phase
October 7, 2005	<i>Opening Brief</i>
October 24, 2005	<i>Reply Brief</i>
January 2006	<i>Proposed Decision</i>

February 2006	<i>Commission Decision</i>
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With respect to the second phase, the ALJ and I have been exploring options to ensure that our review of the costs and benefits of SDG&E's proposed AMI investment is efficient and timely. Although parties will inevitably take issue with the cost and benefit calculations used for the operational savings to be derived from AMI, I believe that the most difficult aspect of this review will be of the benefits we can expect from demand response. Rather than spending resources litigating the demand response forecasts and assumptions (energy costs, tariff structures, participation levels, actual response, statutory constraints, etc.), parties should focus on the operational costs and benefits side of the AMI investment and on other potential non-demand response costs and benefits that have not yet been quantified. Therefore, I am considering whether to establish some minimum threshold that operational benefits must meet (for example, 85% of reasonably forecasted costs) and forgo additional review of the demand response benefits for purposes of deciding whether to approve the investment. At the June 15, 2005 prehearing conference, parties should be prepared to discuss this idea and how it might impact the timing of the second phase of the proceeding and procedural suggestions for establishing the minimum threshold.

Therefore, **IT IS RULED** that:

1. SDG&E shall serve supplemental testimony on May 25, 2005 addressing how its proposed technology/deployment plan meets the functionality criteria set forth in the February 19, 2004 Ruling in R.02-06-001.
2. SDG&E's supplemental testimony shall also address the impacts of deployment of broadband over powerline and the need for additional net metering capability on its technology choices.

3. SDG&E's supplemental testimony shall provide a month by month list of the tasks and costs that make up its pre-deployment plan.

4. Testimony by other parties on functionality, pre-deployment task and cost schedules shall be served on June 6, 2005. Rebuttal testimony shall be served on June 10, 2005.

5. A prehearing conference is scheduled for June 15, 2005 at the Commission headquarters in San Francisco.

6. At the June 15, 2005 prehearing conference, parties should be prepared to discuss the concept of establishing a minimum threshold of operational benefits that the proposed AMI investment must meet and how this idea might impact the timing of the second phase of the proceeding.

Dated May 9, 2005, at San Francisco, California.

/s/ DIAN M. GRUENEICH

Dian M. Grueneich
Assigned Commissioner

Appendix A: Functionality Criteria

(From February 19, 2004 Ruling in Rulemaking 02-06-001, pp.3-4)

The AMI system analyzed should support the following six functions:

1. Capable of supporting the following price responsive tariffs for:
 - a. Residential and Small Commercial Customers (<200kW) on an opt out basis:
 - i. Two or Three Period Time of Use (TOU) rates with ability to change TOU period length;
 - ii. Critical Peak Pricing with fixed (day ahead) notification (CPP- F);
 - iii. Critical Peak Pricing with variable or hourly notification (CPP-V) rates;
 - iv. inverted tier or flat rates.
 - b. Large Customers (200 kW to 1 MW) on an opt out basis:
 - i. CPP; [fixed or variable notification]
 - ii. TOU;
 - iii. Two part hourly Real Time Pricing (RTP)
 - c. Very large customers (over 1 MW) on an opt out basis:
 - i. Two part hourly real-time pricing (RTP);
 - ii. Critical peak pricing (CPP); [fixed or variable notification]
 - iii. Time-of-Use (TOU) Pricing
2. Collection of energy usage data at a level of detail (interval data) that supports customer understanding of hourly usage patterns and how those usage patterns relate to energy costs
3. Customer access to personal energy usage data with sufficient flexibility to ensure that changes in customer preference of access frequency do not result in additional AMI system hardware costs.
4. Compatible with applications that provide customer education and energy management information, customized billing, complaint resolution.

5. Compatible with utility system applications that promote and enhance system operating efficiency and improve service reliability, such as remote meter reading, outage management, reduction of theft and diversion, improved forecasting, workforce management, etc.
6. Capable of interfacing with load control communication technology.

(END OF APPENDIX A)

CERTIFICATE OF SERVICE

I certify that I have by mail, and a courtesy copy by electronic mail to the parties to which an electronic mail address has been provided under Rulemaking 02-06-001, this day served a true copy of the original attached Assigned Commissioner's Ruling Laying Out Approach to the Case, Scheduling a Prehearing Conference and Other Procedural Matters on all parties of record in this proceeding or their attorneys of record.

Dated May 9, 2005, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda Pulmano

N O T I C E

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